

Message Text

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ACTION AID-59

INFO OCT-01 EA-11 NEA-10 IO-12 ADP-00 EB-11 IGA-02 COME-00

TRSE-00 XMB-07 SCEM-02 SS-15 L-03 H-02 NSC-10 PRS-01

CIAE-00 INR-10 NSAE-00 RSC-01 OEP-01 EUR-25 RSR-01

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FM AMEMBASSY DACCA

TO SECSTATE WASHDC 9349

INFO AMEMBASSY MANILA

USMISSION USUN NY

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E. O. 11652: N/A

TAGS: BGEN, EAID, ENRG, BG

SUBJECT: REHABILITATION OF IMODCO'S OFFSHORE OIL TERMINAL

REF: (A) USUN 0929; (B) STATE 52557; (C) DACCA 1429 (NOOJMANILA)

(D) DACCA MEMCON 3/23/73 (NOT USUN)

DEPT PASS COMMERCE

SUMMARY: QUESTION HAS ARISEN OF POSSIBLE USAID FINANCING REHABILITATION OF OFFSHORE OIL TERMINAL WHICH US FIRM, IMODCO, DESIGNED AND WHICH ACCIDENT DISRUPTED IN 1970. EVERYONE AGREES REHABILITATION OF TERMINAL HIGHLY DESIRABLE, ESPECIALLY IN VIEW HEAVY LIGHTERAGE FEES WHICH BANGLADESH MUST NOW PAY FOR BRINGING CRUDE OIL INTO PORT. MAIN POINT NOW AT ISSUE BETWEEN BDG COMMUNICATIONS SECRETARY AND IMODCO IS PRICING AND DETAILS THEREOF. EMBASSY HOPEFUL THAT RESOLUTION OF IMPASSE CAN BE ACHIEVED, WHICH WOULD SERVE POTENTIALLY SIGNIFICANT US COMMERCIAL INTEREST. NO ACTION REQUESTED AT PRESENT PENDING FURTHER DISCUSSIONS BETWEEN BDG AND USCOR.

1. BACKGROUND: PARA 6 REFTEL A REPORTED THAT SINCE UN- FINANCED
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SALVAGE OPERATION AT CHALNA PORT PROCEEDING WELL AND SLIGHTLY AHEAD OF SCHEDULE, IT MIGHT BE POSSIBLE TO USE CONSORTIUM EQUIPMENT INVOLVED IN SALVAGE JOB TO LIFT SUNKEN OFFSHORE OIL TERMINAL BUOY AT CHITTAGONG ONSHORE FOR " FAIRLY LOW COST REPAIRS." REFTEL B COMMENTED, INTER ALIA, THAT " REPAIRS OF FUEL BUOY ONCE LANDED AT CHITTAGONG MIGHT... BE FINANCED WITHIN TERMS OUR (FY 73) GRANT (FUNDS) IF REPAIR PERFORMED BY BDG ORGANIZATION OR PRIVATE BD OR (SECTION) 941 FIRM."

2. A BENGALEE VIEW: REFTEL C RELAYED BDG COMMUNICATIONS SECRETARY' S VIEW THAT US DESIGNER OF TERMINAL, IMODCO OF LOS ANGELES, DEMANDING " OUTRAGEOUS" SUM FOR REHABILITATION OF TERMINAL. SAME REFTEL SAID LOCAL US AID MISSION (USCOR) " BELIEVES REHABILITATION IMODCO BUOY APPROPRIATE ITEM FOR FINANCING UNDER GRANT IF IMODCO WILLING PROVIDE BDG AND AID WITH DETAILED COST BREAKDOWN AND WILLING ENTER SERIOUS NEGOTIATIONS. CURRENT (IMODCO) PROPOSAL, EVEN IF ACCEPTABLE TO BDG, WHICH IT IS NOT, WOULD NOT REPEAT NOT BE ACCEPTABLE AID SINCE WE WOULD HAVE NO BASIS FOR DETERMINING REASONABLENESS OF COST. BDG EFFORTS TO DATE OBTAIN DETAILS AND INITIATE REASONABLE NEGOTIATIONS WITH COMPANY HAVE FAILED. AID INTEREST IN FINANCING MIGHT HELP SITUATION AND WOULD UNDOUBTEDLY BE WELCOMED BY BDG." MESSAGE ADDED THAT USCOR WOULD FURTHER DISCUSS BUOY WITH PLANNING COMMISSION FOR POSSIBLE INCLUSION AS REHABILITATION SUB- PROJECT. SUCH DISCUSSION HAS NOT YET (AS OF APRIL 10) TAKEN PLACE.

3. US FIRM' S VERSION: WHILE REFTEL C GAVE GOOD SUMMARY OF COMMUNICATIONS SECRETARY' S VIEW THAT IMODCO HAS BANGLADESH OVER BARREL SINCE IT SOLE SUPPLIER OF PARTS NECESSARY FOR BUOY REHABILITATION, WE BELIEVE IT ONLY FAIR TO NOTE THAT US FIRM, IMODCO, HAS SOMEWHAT DIFFERENT VIEW OF MATTER. AS NOTED IN REF MEMCON D (NOT SENT USUN), IMODCO DESIGNED ILL- STARRED TERMINAL AND RETAINS ULTIMATE COMMERCIAL LIABILITY FOR IT. TERMINAL PUT OUT OF ACTION IN APRIL 1970 WHEN FREIGHTER DRIFTED ACROSS BUOY, DAMAGING ITS SUPERSTRUCTURE, TEARING OUT TWO ANCHORAGES, BREAKING ALL MOORING LINES AND SNAPPING OIL HOSE. IMODCO SAYS IT HAD STARTED NEGOTIATIONS FOR REPAIRING TERMINAL BEFORE BANGLADESH LIBERATION AND RESUMED NEGOTIATIONS WITH BENGALEE OFFICIALS AFTERWARDS. IMODCO OFFICIALS, INCLUDING IMODCO PRESIDENT, BERNARD FRANKEL, REPORTEDLY VISITED BANGLADESH 3-4 TIMES IN 1972, AND AGAIN IN FEBRUARY- MARCH 1973. IMODCO REPRESENTATIVE (M. G. RIVOLLIER, CURRENTLY LIMITED OFFICIAL USE

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C/ O COFRAPHIL, CABLE ADDRESS EXTECOMATE, MANILA) TOLD EMBOFF MARCH 12 THAT IMODCO GAVE BENGALLEES QUOTATION OF \$1.6 MILLION FOR REPAIRS, INCLUDING COMPLETE TERMINAL OVERHAUL, PARTS SUPPLY, MORE SOLID BUOY ANCHORAGE FOR TURBULENT BAY OF BENGAL CONDITIONS, AND TECHNICAL IMPROVEMENTS IN WHOLE TERMINAL SYSTEM. IMODCO ALSO OFFERED ENTER INTO 3- YEAR MAINTENANCE AND OPERATING CONTRACT FOR TERMINAL. IMODCO VERSION AGREES IMPASSE HAS COME OVER QUESTION OF PRICE AND THAT IMODCO RELUCTANT GIVE BENGALLEES WRITTEN REPEAT WRITTEN BREAKDOWN OF PRICE COMPONENTS.

4. FYI: IMODCO WISHES CONCLUDE TERMINAL REHABILITATION CONTRACT FOR NUMBER OF REASONS INCLUDING HOPE THAT, IF IMPROVED TERMINAL SATISFACTORY TO CHITTAGONG PORT TRUST (OWNER OF TERMINAL) AND EASTERN REFINERY (SOLE USER THEREOF), IMODCO MIGHT GET SUBSTANTIALLY LARGER CONTRACT TO INSTALL NEW, HIGHER CAPACITY OFFSHORE TERMINAL IN NOT TOO DISTANT FUTURE. END FYI.

5. IT IS PERHAPS WORTH NOTING IN THIS REGARD THAT ON APRIL 2 PORT CHITTAGONG TRUST CHAIRMAN REPORTEDLY TOLD VISITING DELEGATES FROM AID DONORS MEETING/ DACCA THAT BANGLADESH HAD TO EXPEND IN 1972 ABOUT TAKAS FOUR CRORE (EQUIVALENT TO ABOUT \$5.3 MILLION) IN FOREIGN EXCHANGE TO CARRY CRUDE OIL FROM TANKERS TO OILJETTIES SINCE OFFSHORE TERMINAL INOPERABLE. HE ADDED THAT TERMINAL COULD ONLY BE RESTORED WITH FOREIGN ASSISTANCE AND APPEALED FOR SUCH AID. PRESS ACCOUNT NOTES THAT AMOUNT OF FOREX BANGLADESH PAID FOR LIGHTERING CRUDE OIL EQUAL TO COST OF SETTING UP NEW TERMINAL.

6. EMBASSY PERCEIVES POTENTIAL FOR SIGNIFICANT US COMMERCIAL INTEREST IN THIS MATTER AND WISHES ALERT EB AND USDOC. NOTES, HOWEVER, THAT DISCUSSION BETWEEN USCOR AND PLANNING COMMISSION IN VERY TENTATIVE STAGE. SHOULD LATTER INDICATE INTEREST IN HAVING AID FINANCE BUOY REHABILITATION, AND SHOULD AID/ WASH-INGTON AND USCOR CONCUR, IT MIGHT BE USEFUL TO ADVISE REIVOLLIER (WHO REPORTEDLY PLANS BE AT AFOREMENTIONED MANILA ADDRESS UNTIL APRIL 20) AND IMODCO HEAD OFFICE OF DEVELOPMENTS. EMBASSY AND USCOR WILL COORDINATE ON COMMUNICATIONS WITH IMODCO. NEWBERRY

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